

USAWC STRATEGY RESEARCH PROJECT

TUNISIAN PARTNERSHIP WITH WESTERN EUROPE

by

Lieutenant Colonel Ismail Fathalli
Tunisian Army

Professor Douglas Lovelace
Project Advisor

The views expressed in this student academic research paper are those of the author and do not reflect the official policy or position of the Department of the Army, Department of Defense, or the U.S. Government.

U.S. Army War College
CARLISLE BARRACKS, PENNSYLVANIA 17013

Report Documentation Page			Form Approved OMB No. 0704-0188		
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 03 MAY 2004		2. REPORT TYPE		3. DATES COVERED -	
4. TITLE AND SUBTITLE Tunisian Partnership with Western Europe				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S) Ismail Fathalli				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) U.S. Army War College, Carlisle Barracks, Carlisle, PA, 17013-5050				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT See attached file.					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES 25	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

ABSTRACT

AUTHOR: Ismail Fathalli

TITLE: TUNISIAN PARTNERSHIP WITH WESTERN EUROPE

FORMAT: Strategy Research Project

DATE: 15 March 2004 PAGES: 21 CLASSIFICATION: Unclassified

Impact of the Tunisian economic and security partnership with Western Europe on its society. Tunisia has set for itself the ambition of achieving a high level of economic growth while pursuing human and social development. Endowed with only limited natural resources, the country has relied on its human potential and sustained social action programs. Based on a permanent search for a balance between the social and economic dimensions of development, this approach has made it possible for the country to achieve a sound economic performance and continued social progress.

Seeking to take advantage from globalization as an opportunity to further develop its economy and to reinforce its competitive capacity, Tunisia has launched a comprehensive program for the upgrading of its enterprises which, by the year 2007, will have to cope with the European enterprises' competition, as part of the EU-Tunisian free trade zone provided for in the Association Agreement signed in 1995. That year, the European Union, for the first time in its history, concluded an Association Agreement with a Southern Mediterranean country.

TABLE OF CONTENTS

ABSTRACT.....	III
TABLE OF CONTENTS	V
TUNISIAN PARTNERSHIP WITH WESTERN EUROPE.....	1
INTRODUCTION:.....	1
PART-I THE PARTNERSHIP IMPACT ON THE TUNISIAN ECONOMY.....	2
1.1- The nature of the economic partnership.....	2
1.2- Advantages.....	6
1.3- Disadvantages.....	7
PART-II THE PARTNERSHIP IMPACT ON THE TUNISIAN SOCIETY: SOCIAL AND CULTURAL ISSUES.....	8
2.1- Advantages.....	9
2.2- Disadvantages.....	9
PART III SECURITY RAMIFICATIONS OF PARTNERSHIP	10
3.1- Political ramifications.....	11
3.2- Social ramifications.....	12
PART-IV RECOMMENDATIONS FOR TUNISIAN POLICY.....	13
4.1- Social sensibilization.....	14
4.2- Reform of the legal and financial systems.....	14
4.3- Economic policy initiatives.....	15
CONCLUSION.....	15
ENDNOTES	17
BIBLIOGRAPHY	19

TUNISIAN PARTNERSHIP WITH WESTERN EUROPE

INTRODUCTION

Historically, Tunisia has been an open society in which many cultures have blended. On its ancient Numidian foundations, successive civilizations have flourished: Phoenician, Roman, Byzantine, Arabic, Spanish and Ottoman among others. Each left its mark and together they have fashioned a people instilled with a sense of moderation, solidarity and tolerance.

Geographically, from its strategic location, Tunisia has been depicted as an important crossroads between Africa, the Middle East and Europe. For this reason the Euro-Mediterranean space has strategic importance in Tunisian societal choices and in external policy orientations. Indeed for Tunisia the Mediterranean area "cradle of civilizations and monotheist religions"¹ must continue to be a bridge between northern and southern peoples, a space for pacific existence, and an example of human solidarity.

This strategic orientation has been enforced in the Tunisians' minds since the collapse of the Soviet empire, and the emergence of the new world order, when the geopolitical coalitions based on ideologies have vanished to be replaced by other more complicated geo-economical coalitions, when regional groups of countries agreed economically to face together the challenges of globalization and the new economic world order, like western Europe, Latin America, North America and other regions. Aware of limited economic resources and structures and about the consequences of being marginalized in facing alone this new world order, Tunisia had never stopped working to realize the dream of north African people by building the united Arab Maghreb as an economic entity first. But also and since 1993, Tunisia has been committed to the building of the Euro Mediterranean edifice. Its president suggested from the top of the European parliament tribune in Strasbourg, "to move ahead from the dialogue phase to the realization phase"², by concluding a Euro-Mediterranean agreement for development and solidarity.

To materialize its commitment to such a project, Tunisia concluded in July 1995 an association agreement with the European Union that stipulates that a free trade zone will be created between Tunisia and the European Union by 2007. There will be no restrictions on the European products and goods entering the Tunisian market, and Tunisian products to be sold in Europe.

So for the partnership to be fair, and because the Tunisian economy and society are not as developed as the Europeans, Tunisia was promised financial help, like that provided to other North African countries, to effect the economic reforms and mainly to solve the social problems perceived by the Europeans as a threat to their security, like illegal immigration, smuggling of arms and drugs, and extremism.

So in order to succeed in its partnership with Europe, Tunisia has to upgrade its economy according to European standards in a relatively short period and faces all the possible social problems, crises, and reactions, which go with these reforms.

PART-I THE PARTNERSHIP IMPACT ON THE TUNISIAN ECONOMY.

The Euro-Mediterranean partnership process was launched at the Barcelona Conference, in November 1995. Indeed, Western Europe and Mediterranean countries were seeking to achieve a balance between political, economic, and human relations across the Mediterranean. Opinions about the results of this conference were divided; some countries look at it as a success because it laid the basis of a future probable partnership at least in the economic field. Others consider this conference a failure because of a misunderstanding about the notion of security.

This misunderstanding was not perceived only between the two shores of the Mediterranean, but also between countries on the same side, like in North Africa where the concept of security varies from one country to another. Some of the North African countries were concerned about the political and the military dimensions of security because of potential offense or interference, which may affect their sovereignty in the future. For Tunisia, it seems that security has less impact and less importance than the economic partnership, due to political and social stability, and confidence in the future. Because of this optimistic attitude, Tunisia started economic reforms in 1995 in order to be prepared for free trade by 2007.

The nature of the economic partnership.

The economic partnership that Tunisia seeks is based on balanced mutual interests; Tunisia will open its market for foreign investment, manufactured products, European expertise and technology. In return, it will export agricultural and manufactured products, services, and labor power. To realize this balance, important reforms are being executed actually in the majority of the economic sectors.

The industrial sector is becoming the leading sector of the Tunisian economy, after the following three major reforms.

- Modernization of the main factories and enterprises by reorganizing and restructuring the administration, buying new machines, adopting new technology, and imposing new quality standards (European standards);

- Privatization of an important number of enterprises by encouraging Tunisian and foreign investors to buy public enterprises under favorable legislation;

- Foreign investment is one of the first priorities for the Tunisian government. Many legislative measures had been taken to encourage foreign enterprises to invest in Tunisia. At the end of the year 2000, foreign investment stock was evaluated at 15 billion Tunisian Dinars; the number of foreign enterprises was 2139 generating 192,000 job opportunities³.

These reforms have permitted the industrial sector to employ (year 2002) more than 35 percent of the working population and produce more than 65 percent of Tunisian's exports. In addition to the exploitation of mineral and energy resources, including oil, gas and phosphates which accounts for almost 10 percent of Tunisian Gross Domestic Product (GDP). Manufacturing, dominated by textiles, mechanical engineering, chemicals, construction materials, and food products, generates another 18.1 percent of GDP⁴.

The agricultural sector in 2000 employed about 471,000 farmers working 9 million hectares of arable land, forest and pasture. About 65,000 fishermen work along 1,300 kilometers of coastline. Tunisian agriculture employs 22 percent of the working population and accounts for 16 percent of GDP and 12 percent of exports⁵.

To insulate agriculture as much as possible from the hazards of climatic variation, and to reach European competitive standards, the Tunisian government encourages farmers to diversify production and improve profitability by introducing new farming methods, such as fish-farming, drip-feed irrigation, greenhouse cultivation, and geothermal water irrigation, in addition new technology was introduced in milk and olive oil production.

Since 2000, with the ultimate goals of achieving food self-sufficiency and competitiveness, Tunisia's development strategy has been built on four main components: rational use of water resources, farmer training, intensified agricultural research, and the creation of regional agronomic centers. For all these reasons, Tunisian and foreign investors are increasingly turning their attention to this profitable sector.

Other sectors of the Tunisian economy are undergoing significant change due to the reforms made by the government; the service sector actually produces 43.9 percent of exports and 52 percent of GDP, and reflects sweeping changes in the Tunisian economy. Changes due mainly to:

- Modernization of distribution channels (e.g. proliferation of hypermarkets);

- The creation of consulting firms (in computer sciences, engineering and telecommunication;
- Infrastructure improvement;
- The remarkable growth of tourism, which alone accounts for 58 percent of service export earnings.

The Tunisian financial system includes the Tunisian Central Bank and several financial institutions. The banking system successfully put in place a significant network of branches and representative offices. There is presently one agency for less than 11,000 inhabitants, thus a level close to that of industrialized countries. Prudential rules and solvency ratios are enhanced by banking law. Most banks comply with a minimum ratio of 8% for commitment coverage by equity funds. The money market is dynamic and open to financial institutions and companies with a variety of monetary tools.

The Tunis Stock Market is internationally recognized as one of the most modern among emerging markets. It offers the best guarantees of transparency and transaction security. The financial market has been reformed so as to attain the best international standards. Initiatives include:

- Privatization of the Tunis Stock Market;
- Establishment of a Financial Market Board;
- Establishment of a central body for shares deposit, for clearing and for payment;
- Adoption of an electronic quotation system used by several international stock exchanges;

Presently, 45 companies are signed-up on the permanent list. Foreign investors hold more than 20% of the market capitalization. Furthermore, the Stock Exchange offers an attractive price earnings ratio" PER" of about 10, as compared to 15 to 25 elsewhere⁶.

Tunisia's thriving economy creates an attractive atmosphere for investors from the European Union, Japan and the United States. More than 2,139 foreign firms have direct investments in or joint ventures with Tunisian companies. Many of these firms were attracted by Tunisia's proximity and preferential trading relations with the European Union and the Arab Maghreb Union. They were also attracted by the newly revised Investment Code, which offered tax and customs concessions to foreign investors and reduced the administrative "red tape" required for project approval.

A particular incentive for U.S. Investors is the Tunisian-U.S. Bilateral Investment Treaty (BIT)⁷; signed in January 1993 that guarantees the safety of investments and profit repatriation.

Foreign Direct Investment flow (privatization excluded) increased by 11% in the first 2 months of 2001 as compared to the same period in 2000, and portfolio investment grew by 14%. In addition to opening its market to foreign goods and investments under such favorable conditions, Tunisia also gave to its partners the advantages of the proximity of the Tunisian, North African and European markets and a young and competent workforce.

The Europe-Mediterranean market is estimated at 800 million costumers⁸. The Tunisian market seems to be a modest market, but since the most recent reforms were implemented, it has increased considerably. Yet it has nearly 9.8 million consumers⁹ with sufficiently strong purchasing power that they want greater access to consumer goods and equipment. In less than a decade the per capita revenue has doubled. This proves the exemplary development of the Tunisian market. 4,9 %⁰ yearly growth at constant prices between 1998 and 2002, nearly five times demographic increases (1.1)¹¹. The GNP per capita is TND 2925.8¹² in 2002. Expressed as purchasing power, this figure reaches approximately 6,070 US dollars¹³.

In Tunisia the workforce is abundant and skilled, and labor cost is very competitive because of important efforts to better prepare young Tunisians for the dynamic pace of change in the country. The present educational system trains students in three languages at least (Arabic, French and English), if not more. The use of computers is becoming widespread in order to allow the young generation to be "in tune"¹⁴ with the real world. The government assumes the training costs through its funds for professional adaptation and insertion for English-language teaching programs and computer science courses for students in university. Numerous technological institutes have been established to increase the number of mid-level managers and to adapt training resources to the country's needs. Research and technical centers have been established for almost all the business fields. Technology parks have been set up for textiles, telecommunications and agri-business. There are an increased number of experts for quality control and certification. Development of engineering, professional consulting and economic capacities continues.

The Ministry of Vocational Training and Employment actually funds and runs approximately 127 public centers which offer different types of skills:

- Skilled workers: one year following nine years of primary schooling;
- Technicians: end of secondary school;
- Senior technicians: secondary school degree+2 years further schooling;
- Numerous private centers are operational, particularly in service activities.

Tunisia provides people with various skills needed in the job-market. Nearly 10,000¹⁵

engineers are active and 53%¹⁶ of all job candidates have university or professional skill level. Tunisia has one scientist for every 2,000 inhabitants¹⁷. Given the same training and qualification levels, a Tunisian engineer's salary is one-fifth that of an engineer from a south European country. Tunisia offers an undeniable advantage for companies with intellectual services orientation.

As a consequence of the favorable economic environment that Tunisia provides, the infusion of European capital into the Tunisian economy, and the combination of the European managerial expertise with the Tunisian competent young workforce; the actual performance of Tunisian-European joint businesses in different sectors is positive. According to Tunisian officials, the Tunisian-European partnership is the right way for the wellbeing of all Tunisians; it brought many indisputable advantages. But has the experience been all advantageous?

Advantages of the partnership:

On the economic level, the reforms made in preparation for free trade with Europe had enabled Tunisia to make, over the first years of implementation of the Ninth Plan (1996-2001), new significant advances towards stabilization of the macro-economic framework by achieving encouraging results particularly through:

- Sustained growth of the GDP at an average rate of 5.8% at constant prices for the first four years of implementation of the Ninth Development Plan (1997-2001), to which overall productivity has contributed over one-third in a context marked by the control of inflation which was reduced to 2.9% in 2000¹⁸;
- Increase in investment at a sustained rate of 13.5% per year, which allowed Tunisia to raise the investment ratio from 23.2% of the GDP in 1996 to 26.4% in 2001, and the savings rate from 23.7% in 1996 to 25.8% of GDP¹⁹ in 2001;
- Improvement of external financial balances by reducing the current deficit the rate of which was only 2.9% of the GDP²⁰ in 2000;
- Improvement of the export rate due to the foreign investment (5,8% yearly, 1998 to 2002), and easy access to the European market (380 customers)²¹;
- Decline in the debt ratio between 1996 and 2000 from 50.5% to 45.1% of the GDNI, and reduction in the debt service from 17.6% to 16.4% of current revenue²²;

- Preservation of domestic financial balances through control of the budget deficit which was limited to an average annual rate of 3% of the GDP in spite of the impact of the program of removal of tariff barriers which caused a decrease in value of 470 million dinars at the end of 1999 and the industrial and agricultural sectors had also taken advantage of European investment by introducing new methods and advanced technology to improve productivity and competitiveness.

On the social level, as the economic reforms are being executed, the conditions in which Tunisians live are improving due to job creation made possible in large part by foreign investment (in 2000 the new foreign enterprises created 192,000 job opportunities).²³ The increasing purchasing power (purchasing power parity (PPP) in 2000 was about 6,070 US dollars)²⁴ and the simplified credit system increased the comforts Tunisians enjoy. These include access to home ownership, renovated housing, and a high level of consumer spending devoted to leisure and recreation (Tunisians spend nearly 30% of their disposable income on leisure, clothes, and health).²⁵

Disadvantages of the partnership:

Tunisia is a young developing country; its experience with a market economy is very short compared to the western industrialized democracies. Since Tunisian independence (1956), the government has controlled the country's economy to accommodate a young and demanding population with very limited resources. In the minds of an important number of Tunisians (those more than 40 years old with limited education), the government is responsible for the education, training and employment of all the citizens. That is why these people will never understand why the government allows new owners to reduce the number of workers, and do not perceive privatization as an adequate solution to improve the Tunisian economy.

The first disadvantage is the unemployment caused by enterprise restructuring and privatization. Because the majority of these enterprises and factories were owned by the state, they had a kind of social function in using higher numbers of employees than needed; some of them are even unqualified. The government, to keep these enterprises alive, counterbalanced the prices of the final products. Restructuring and modernizing these enterprises in order to make them more competitive requires dismissal of unnecessary and unqualified workers. This creates social tension.

Some argue that foreign or local new investment will create jobs and solve the problem of unemployment. This is true, but actually the labor accepted by these new enterprises is qualified and young; the labor dismissed by these new or restructured enterprises is composed

of unqualified people who have families to feed. So, the unemployment problem is not totally solved at least at the beginning of the privatization process.

The second disadvantage is the lack of local private capital to own some of these old enterprises because of their heavy past debt. Local investors are also skeptical about the efficiency of employees after the restructuring of the enterprises. Until the government convinces local investors and encourages them by different means to invest, this situation will allow foreign investors to own an important number of Tunisian factories and enterprises and dominate the economy, or delay the privatization process.

Another important disadvantage is the possible failure of the Tunisian enterprises to compete with the Europeans due to the lack of experience and absence of market guaranties. The Tunisian government had encouraged Europeans to invest in Tunisia under very favorable conditions. Local investors have received assistance to upgrade their enterprises in order to be ready for the free trade (new world economic order). But apparently the Europeans didn't give any guarantee for the Tunisian government to preserve a part of the European market after 2007. Similarly, the Tunisian government didn't give any promise of protection to the local enterprises in the internal market. Under these conditions the European enterprises will probably monopolize the European market and dominate the local Tunisian market.

So after 2007, the economic situation seems uncertain and foggy. Will the Tunisians be able to reach the European standards and progress at the same speed? Or will the Tunisian economy be totally dependant on the European economy? Actually the results are very promising maybe because of the efficiency of the reforms, or maybe because of the temporary enthusiasm generated by this new economic project and by governmental and external assistance. Tunisia has to succeed in its commitment to the free trade as a partner and not as a dependent, because dependence will generate various social problems and tensions.

PART-II THE PARTNERSHIP IMPACT ON THE TUNISIAN SOCIETY.

According to the Barcelona Declaration (November 1995), the partnership with Europe covers all the political, economic, social, cultural, and security sectors. All participants²⁶ agreed to respect the cultural identity of each partner. They also recognize the importance of social development, which in their view, must go hand in hand with any economic development. They attach particular importance to respect for fundamental social rights, including the right to development. But in reality, economic partnership has the strongest influence on the other fields, especially the social and cultural sectors.

In Tunisia, while joining an advanced economic market such as the EU presents enormous advantages, there are also substantial perils. Tariffs serve two functions: they provide revenue and, perhaps more importantly, they protect national industries and the agricultural sector; both are crucial for creating employment and ensuring that local citizens retain control of their economy. But when you remove tariffs and deregulate your services sector, you run the risk of being swamped by cheaper imports. On the other hand, if you can raise your economic performance to parity with the EU, a vast and virtually inexhaustible market opens up for you. This not only means more jobs, but quality, value-added jobs. It means a higher level of technical efficiency and greater productivity. "All this translates in growing prosperity for the citizens and a much better standard of life all around"²⁷.

That is why partnership with Europe, privatization, and globalization in general are perceived differently by the Tunisian people. The majority are enthusiastic about all the reforms, which are actually being realized. Others are reluctant about these reforms, seeing them as a westernization of the Tunisian society.

Social advantages of the partnership.

For a majority of the Tunisian people, the partnership with Europe is an opportunity to fight endemic unemployment, improve the quality of life for all Tunisians by raising wages and salaries, increasing household consumption and saving, and creating new relationships between owners and workers built on transparency and performance as it exists in Europe. Even the government will have less influence on the social life of the people. Capitalism values will be more present in the citizens' daily life. This new social climate will certainly eliminate social frustrations and tensions caused by unemployment, poverty and dirigisme. There will be more similarities and comprehension between Tunisian and European peoples. Social and cultural exchange will be easier.

Social disadvantages of the partnership.

An important number of the Tunisian people perceive partnership with Europe as a kind of economic and cultural domination from the western world. They justify their thesis by the following arguments:

- The privatization and restructuring of the public enterprises and societies will dismiss an important number of workers and aggravate unemployment in the country;
- The economic and industrial reforms require significant budget to replace tools and machines, recruit experts and specialists, and reorganize the economic sectors. This budget

cannot be totally provided by the government including European aid, unless taxes are raised which could be harmful for the middleclass citizens' budgets;

- The foreign investment in Tunisia will allow European investors to dominate the Tunisian economy thru their high competitiveness; and

- The opening of the Tunisian market to foreign goods will cause considerable damage to the local enterprises still unable to compete, because they are still inexperienced, in spite of twelve years of preparation. Large numbers of small enterprises, that have limited capabilities and were created exclusively for the local market, may disappear. These small businesses employ an important number of workers and craftsmen. Their disappearance will raise the unemployment rate and create social tension. European economic domination will be accompanied by overwhelming technological superiority in term of information programs, movies, and all kinds of social and cultural influence, via TV, Internet and other mass media.

These two theses are exaggerations but contain a large part of logic and truth. Any way, the positive or negative results will surely depend on the efficiency of the preparation for the next period and on the Tunisians' ability to adapt. The unemployed, the poor and the conservative Tunisians, those who were reluctant about free trade and privatization, will certainly resist these reforms, generate social tension and create some security problems:

- Unemployment and poverty may cause illegal emigration to Europe and or illegal activities like black markets and smuggling arms and drugs; and

- Conservative Tunisians, because their Arab Islamic origin, may react negatively to this "neo colonialism" as they say, by developing a certain form of extremist tendency, especially in the actual regional and international context.

To prevent this situation and insure that Tunisia will move in the right direction, the European Union proposed that "the economic partnership should be linked to security cooperation"²⁸. This proposal was raised to all Mediterranean and North African countries in the Barcelona Conference in November 1995.

PART- III THE SECURITY RAMIFICATIONS OF PARTNERSHIP

The European Union's "comprehensive" approach to security in the Mediterranean links together economic liberalization, democracy promotion, social cooperation, and strategic objectives. In the Barcelona Conference, the European commission defined two primary challenges or two conditions to peace and stability in the region to be faced by the Union:

- To support political reform, respect for human rights and freedom of expression as a means to contain extremism; and
- To promote economic reform, leading to sustained growth and improved living standards, a consequent diminution of violence and an easing of migratory pressures.

Because these two conditions are interdependent, Tunisia has accepted both of them for the sake of economic prosperity and technological evolution. In making this choice, Tunisians will be committed to increase security cooperation with Europe by controlling emigration more efficiently, preventing all kinds of extremism, and exchanging information about terrorism and criminal matters. The Tunisian government also will be constrained to provide security for European citizens and their interests inside Tunisian boundaries. By doing this, Tunisia will be protecting the Europeans in Tunisia and in their own countries.

In the case of an eventual threat on Tunisian soil, Europeans may perceive it as security laxity on the Tunisian side, and intervene to protect their own interests according to the partnership agreement. In the case of a major threat to European interests (e.g., external aggression on Tunisia), NATO intervention is not excluded since the Americans and the Europeans are allied. Moreover the Tunisian government will, under pressure from the European community over human rights, press liberty and social democracy in general. This situation will create, in some cases, friction between Europe and Tunisia, but since the Tunisian position will be compromised by economic dependence for at least the first ten years, the Tunisian government and society will be subject to European influence. The Tunisian people will perceive this interference in their internal affairs as a violation of their national sovereignty. But in the current situation, Tunisians are confident about their capability to prevent any erosion of their sovereignty and to deal with the Europeans on an equal basis because of the reasons that follow:

Political reforms: Politically, the country has committed itself to a democratic process that makes it possible for everyone to take part in public life by supporting the political party of his or her choice, without using religion to subvert the democratic process. Numerous measures have been taken to promote human rights and firmly translate them into practical reality. Institutions were created and legal mechanisms introduced so that every member of society can enjoy all his rights, be they political, civic, economic, social or cultural. Since 1987, and within this comprehensive approach, political and civic participation has been widened, pre-trial and preventive custody were regulated, the State Security Court abolished, a general amnesty decreed, a Constitutional Council was established and its rulings rendered binding, a code for

the rights of the child was adopted, gender equality was further promoted, and the rights of all to decent living transformed into palpable reality.

Freedom of thought and expression is protected by law and the Code of the Press is expected to be amended a third time, soon, to further promote freedom of the press. The values of human rights, pluralism and tolerance are taught at all levels by educational and training institutions. The Law on parties reaffirms the twin principles of the freedom to set up political parties, and the separation of politics and religion. The Tunisian Constitution makes it illegal to attempt to set up parties on a religious basis. The Government has implemented a strategy aimed at fighting poverty and giving a stake to all citizens in the prosperity of their country. Thanks to the National Solidarity Fund and various other social programs, the poverty rate was reduced to a mere 4%. The middle class has grown to encompass three-quarters of the population.

Social reforms At the social level Tunisia's approach to fighting fundamentalist extremism has involved a comprehensive, coherent strategy that addresses both the causes and consequences of the scourge. This meant curtailing the problems of illiteracy, poverty and exclusion that usually provide fertile ground for extremist movements. The considerable improvement of the living standard of the Tunisian population is reflected in the higher ratios of access to drinking water and electricity in homes as well as in the ownership of cars, television sets, radios, refrigerators, ovens and other basic commodities. Access to electricity is available in 94.6%²⁹ of Tunisia homes as of 1999, while access to drinking water (taking into consideration all systems and providers) is available in 91.6 %³⁰ of homes. Beside the higher percentages of ownership of radio and television appliances, there was an increase in the availability of satellite dishes in homes from 2.1 % (in 1994) to 18.3 %³¹ (in 1999), and 84.7 %³² of homes owned television sets as of 1999. Wellbeing is also reflected in the slowdown of the demographic growth rate from 1.7% to 1.15 %³³ (in just 5 years since 1994), as well as the increase in the rate of urbanization. Educational reform has been introduced to promote the values of modernity, rationalism and openness to the outside world. Tunisian schools today are places where scientific knowledge and democratic notions are taught.

Islam in Tunisia is practiced in a serene, progressive way, in line with the country's pure reformist tradition that gives prominence to enlightened interpretation (ijtihad) of the holy text. In spite of the deep economic and social reforms that took place in Tunisia, in order to promote freedom, democracy and open markets, the European Union seems still concerned about its interests in Tunisia especially after the "cataclysm" of the 9/11/2001; when several countries

were targets to terrorist acts and Tunisia was one of them. The European concerns were also based on what might happen if Tunisia's neighbors start some kind of destabilization into the Tunisian society as a reaction to its openness and economic success.

In fact, Tunisia is as concerned as the Europeans about these interests, even more, because in actuality, any destabilization of the Tunisian society caused by terrorist acts or social resistance, like strikes, demonstrations or riots will be harmful for the Tunisian economy as well as European interests. The Tunisian-European partnership will suffer. For this reason, and because economy and security are closely linked, a more secure Tunisia is necessarily a more prosperous Tunisia. Prosperity cannot generate unemployment, extremism or black markets. European security will not be threatened by a prosperous democratic country with an open society.

While Tunisia is actually dealing with Europe on a bilateral basis, its commitment to realize the Arab Maghreb Union (AMU) is still one of its top priorities. This objective guarantees to Tunisia more internal and external security; internal because the union is considered a Tunisian popular dream. Social tension will decrease significantly by realizing this precious objective. External security will be enhanced because the coalition with the neighboring countries will strengthen the Tunisian economic position towards Europe, due to alternate markets that will open for Tunisian products with less competitiveness.

For the European Union, dealing with the AMU as one entity is much easier at the economic level than dealing with five different countries at the same time. For the security issue, since the five countries choose to be unified economically, it means that every one had already made internal reforms to democratize their societies so the security problem will be inevitably solved. But until the union occurs, Tunisia must enforce and secure its commitment to free trade and a market economy. More initiatives should be taken at the political, social, and economic levels.

PART-IV: RECOMMENDATIONS FOR TUNISIAN POLICY

Tunisia is actually reaching the highest evolution level of its history. After all the reforms occurred at the political, economic, and social levels, Tunisia became one of the most developed countries in Africa, in terms of GDP, PPP, illiteracy, and other economic indicators. But comparing Tunisia to the European countries, it looks closer to the African level than the European level. Because the Tunisian mentality didn't change that much with this new orientation, the political authority should take more initiatives to sensitize people and realize deeper reforms.

Social sensibilization: At the social level an important number of Tunisians still have the old habits of subsistence and self-sufficiency activities despite their capability to do better and trade with others, especially in the agricultural and crafts sectors. The government should educate these people thru the mass media and special programs and social advisers, in order to improve and specialize their production, and try to aim the external market. Another “bad” habit the Tunisian consumer has is a negative idea about Tunisian industrial products; he prefers to buy European products because he believes that they are better. This was true in the sixties and seventies when Tunisian industry was just beginning without any experience. But actually, today Tunisian products are as good as European, some kinds are even better. So, this prejudice of “the European is better” has to change. The government must take the necessary measures to convince the people about the improvement of Tunisian products. These measures should be taken before 2007, because after that any measure will be seen as a restriction on foreign goods, which is against the WTO laws and the Euro-Tunisian agreement.

Another disadvantage is the misunderstanding of democracy by an important number of Tunisians, those who have a low education level. They perceive democracy as a collection of rights without duties, so they want high salaries for poor productivity and less work hours, which is harmful for the development of the economy. To prevent these obstacles, some changes should be made at the educational system's level. Some Tunisians still have a negative opinion about political authority; they are still influenced by the colonial period and show their hostility to any reform project proposed by the government. This negative idea must change; the government must convince these people that it is with them, to serve them and not against them.

Legal and financial initiatives: Despite the multiple reforms made by the Tunisian government to encourage foreign investment in Tunisia, local businessmen are still facing complicated administrative procedure, especially in import-export operations, where numerous departments are involved at the same time requiring a lot of paperwork and time. The taxation system is still arbitrary for some activities; there is a certain lack of control, which may generate corruption or tax evasion, which will cause loss for the public fund. In order to fill these two gaps, the government must simplify administrative procedures to help Tunisian businessmen compete and deal with their European counterparts. The industrial and commercial activities should be controlled more scientifically in order to determine the taxes and increase the state income.

Actually the Tunisian banking system is providing very good services to promote the private sector and encourage trade. But, compared with European banks, the interest rates are still low and the service rates are high, so people will prefer external banks for saving or real

estate business which is a kind of hoarding of funds instead of increasing business activities. To solve this problem, the government must execute more courageous reforms to enforce the banking system before 2007.

Economic initiatives : At the economic level, the privatization process is still ongoing, but at the same time the government still owns the most important factories, enterprises, and societies. These institutions like "Societe Tunisienne d'Electricite et des Gaz" (STEG), "Societe Nationale d'Exploitation et Diffusion des Eaux" (SONEDE), or "Societe National des Chemins de Fer Tunisiennes" (SNCFT)³⁴ are considered vital to the Tunisian economy and society. In fact, these entities have a social function; they employ a lot of workers (more than needed) with their products' cost balanced by the government. The privatization of these entities will certainly cause some social tensions, but the privatization should occur now before the arrival of foreign enterprises, which will cause the bankruptcy of these entities and will have a negative impact on the Tunisian society.

The commitment of Tunisia to free trade is now irreversible, but the transformation of the Tunisian way of life, the habits and the perception of the market economy is difficult to change in ten or twelve years. Upon signing the free trade agreement, the Tunisian government should opt for more time to accomplish these fundamental reforms; twelve years to overcome the political, economic, and social obstacles seem very short.

CONCLUSION

By signing the political, economic social and security partnership with Europe, Tunisia has set for itself the ambition of achieving a high level of economic growth while pursuing human and social development. Endowed with only limited natural resources, the country has relied on its human potential and sustained social action programs. Based on a permanent search for a balance between the social and economic dimensions of development, this approach has made it possible for the country to achieve sound economic performance and continued social progress. The economy's liberalization and accelerated diversification and openness to the outside world have contributed to making Tunisia an emerging country, aspiring to join the ranks of developed nations. Tunisia has all the requisite assets to translate its ambitions into concrete reality. Those achievements were possible despite a difficult regional and international environment. They are "the fruits of well-coordinated macro-economic, structural and social policies"⁶⁵.

Seeking to take advantage of globalization as an opportunity to further develop its economy and to reinforce its competitive capacity, Tunisia has launched a comprehensive

program for upgrading its enterprises which, by the year 2007, will have to cope with European enterprises' competition as part of the EU-Tunisian free trade zone provided for in the Association Agreement signed in 1995. That year, the European Union, for the first time in its history, concluded an Association Agreement with a Southern Mediterranean country. The strength of the Tunisian economy, the positive growth prospects, the competitiveness of the industrial sector and the country's sound political and social governance, have convinced the European Union to make Tunisia a close partner. This partnership will function so long as Tunisia is a prosperous, stable, and secure country. If one or more of these conditions disappear, the European Union will use its right to protect its interests in Tunisia or to prevent terrorism coming from the southern shore of the Mediterranean. In both cases Tunisian sovereignty and integrity will be violated. The only guarantee to prevent such a situation is to succeed economically and socially, which will not be easy considering the regional environment and Tunisian cultural influence.

WORD COUNT= 6576

ENDNOTE

¹ The Tunisian external communication agency "Tunisia into the new millennium"

² Zine Elabidine Ben Ali president of Tunisian republic.

³ The Tunisian external communication agency "Tunisia into the new millennium"

⁴ ibid

⁵ ibid

⁶ www Tunisia on line "economy"

⁷ ibid

⁸ www Tunisia on line, business and finance "investing in Tunisia"

⁹ ibid

¹⁰ ibid

¹¹ ibid

¹² ibid

¹³ ibid

¹⁴ www Tunisia on line "economy"

¹⁵ www Tunisia on line, business and finance "investing in Tunisia"

¹⁶ ibid

¹⁷ ibid

¹⁸ CIA, The world fact book-Tunisia-.

¹⁹ ibid

²⁰ ibid

²¹ ibid

²² ibid

²³ www Tunisia on line, business and finance "investing in Tunisia"

²⁴ ibid

²⁵ www Tunisia on line, business and finance "investing in Tunisia"

²⁶ All western Europe countries except Switzerland and Norway, and all the Mediterranean countries except Libya.

²⁷ CPES, Trade policy issues for the euro-med partnership, by Paul Brenton and Miriam Manchin. May 2003.

²⁸ "Security in northern Africa: Ambiguity and reality" by Fernanda Faria, ed. Chaillot September 1996.

²⁹ www Tunisia on line, society.

³⁰ ibid

³¹ ibid

³² ibid

³³ ibid

³⁴ www Tunisia online "La privatisation en Tunisie"

³⁵ www Tunisia on line "economy"

BIBLIOGRAPHY

- Regional surveys of the world: The Middle East and North Africa 2004. 50 edition.
- Security in northern Africa: Ambiguity and reality. Fernanda Faria. <http://www.ciaonet.org/>
- The world fact book .CIA. <http://www.odci.gov/cia/>
- Synopsis. La privatisation en tunisie . privatization.tunisie@email.ati.tn 2/23/2003.
- Barcelona declaration.27 and 28 November 1995.
- The Washington times: Mediterranean nations to fight terror, boost trade. Andrew Borowiec 12/7/2003.
- The Washington times: Muslim, EU states affirm solidarity. Andrew Borowiec 12/9/2003.
- Tunisia on line, economy; <http://www.tunisiaonline.com/>.
- Economie de la Tunisie; ; <http://www.tunisie.com/>.
- Centre for European PolicyStudies (CEPS); Trade policy issues for the Euro-Med partnership. <http://www.ceps.be/>.
- L'Union du Maghreb Arabe; <http://www.maghrebarabe.org/>.

